

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00
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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 9266

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E.O. 11652: N/A

TAGS: EAIR, BTIO, CE

SUBJ: AIR CEYLON REQUEST FOR MANAGEMENT ASSISTANCE

REF: STATE 09131

1. A VISIT BY MAJIB HALABY IN FEBRUARY WOULD BE AN EXCELLENT IDEA.
2. FOR THE PAST TWO MONTHS, A THREE-MAN COMMISSION APPOINTED TO FIND OUT WHAT WENT WRONG WITH AIR CEYLON HAS BEEN HOLDING DAILY MEARINGS. PRESS SUMMARIES OF TESTIMONY BY PRESENT AND PAST OFFICIALS ASSOCIATED WITH AIR CEYLON PAINT AN UNBELIEV-ABLE PICTURE OF CORRUPTION AND INEFFICIENCY. A MEMBER OF THE COMMISSION TOLD THE ECONO OFFICER THAT IT WILL TAKE AT LEAST ANOTHER THREE MONTHS TO COMPLETE THE HEARINGS AND TO WRITE A FINAL REPORT.
3. EVEN BEFORE THE HEARINGS BEGAN, IT WAS CLEAR THAT AIR CEY-LON WAS A FINANCIAL AND OPERATIONAL DISASTER. MANY PEOPLE IN THE NEW GOVERNMENT OF SRI LANKA (GSL) BELIEVE THE PRESENT AIR CEYLON ORGANIZATION IS BEYOND SALVATION, AND A CABINET PAPER HAS BEEN PREPARED RECOMMENDING THAT AIR CEYLON BE ABOLISHED. IN ITS PLACE, TWO NEW ORGANIZATIONS WOULD BE CREATED: SRI

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LANKA AIRWAYS, LTD., WHICH WOULD OPERATE INTERNAL AND SHORT-HAUL INTERNATIONAL FLIGHTS (E.G. MALE, MADRAS, ETC.) AND SRI LANKA INTERNATIONAL AIRWAYS LTD. FOR LONGER-HAUL OVERSEAS SERVICE. THE TWO NEW COMPANIES WOULD EACH BE OWNED 51 PER-CENT BY THE GSL AND 49 PERCENT BY THE PRIVATE SECTOR. FOREIGN PARTICIPATION WOULD NOT BE EXCLUDED.

4. IT IS OUR UNDERSTANDING THAT THE GSL IS LOOKING FOR MANAGEMENT ASSISTANCE, INTER ALIA, TO ADVISE ON WHAT WILL BE REQUIRED IN ZNE WAY OF EQUIPMENT AND ORGANIZATION TO OPERATE A RATIONAL AIRLINE. WHILE THE EMBASSY WILL PREPARE A REGULAR WTDR ON AIR CEYLON, AIR CEYLON'S PRESENT SITUATION IS NOT REALLY IMPORTANT. WHAT IS IMPORTANT IS THE AMOUNT OF MONEY THE GSL IS PREPARED TO INVEST IN A NEW AIRLINE (OR AIRLINES)

AND WHAT AUHHORITY FOREIGN MANAGERS WOULD HAVE OVER OPERATIONS. THESE WILL BE MATTERS FOR NEGOTIATION BETWEEN INTERESTED FOREIGN AIRLINES AND THE GSL.

5. THE EMBASSY SUGGESTS THAT THE EB BUREAU GO AHEAD AND INFORM THE WASHINGTON OFFICES OF US AIRLINES OF THE GSL'S NEED FOR AIRLINE MANAGEMENT SERVICES ON THE BASIS OF THE ABOVE INFORMATION. INTERESTED US AIRLINES SHOULD BE ENCOURAGED TO

SEND SOMEONE TO COLOMBO FOR DISCUSSIONS WITH GSL AND AIR CEYLON OFFICIALS.

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